

**ABSTRACT**

A system for automated trading of U.S. Treasury, Liquid Agency, and Zero Coupon STRIP financial instruments comprises an updatable system database; an updatable offering inventory database which receives real time price and quantity information pertaining to each financial instrument from a market data feed; and a system proprietor operative to determine a national best bid and offer price and a derived price for each financial instrument in the offering inventory. The system proprietor applies a price improvement process to a trade in the event that an offsetting trade occurs, and updates the system database and offering inventory to reflect transactions executed by the system. Advantageously, the system provides users with a mechanism to provide the best price at the time of execution. Historical data is utilized to (i) price securities that are spread off a benchmark where an active quote for a particular security is unavailable, and (ii) retrieve prices for future analysis. The global fixed income market is thereby provided with a system that can sustain long term industry needs and readily adapt to a changing environment.

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